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Director

State of California—Health and Human Services Agency  
**Department of Health Services**



ARNOLD SCHWARZENEGGER  
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Dear Interested Parties:

**ACTUARIAL RATE DEVELOPMENT PROJECT REQUEST FOR PROPOSAL  
(RFP) 04-35855 ADMINISTRATIVE BULLETIN 4**

The purpose of Administrative Bulletin 4 is to provide all proposers with a question that was recently received. This question is similar in nature to the one received during the question and answer period. The Department of Health Services (DHS) Office of Medical Procurement (OMCP) believes the question illustrates possible confusion regarding an RFP requirement and therefore further clarification should be provided.

**Question:**

Many privately held firms do not produce quarterly income statements or balance sheets. Instead, they may have monthly or semiannual reports prepared. In addition, financial statement may not be audited due to the exposure of a competitor learning proprietary information. How can a privately held firm participate in DHS' Actuarial procurement RFP 04-35855 given these circumstances? How can we assure our financial information will remain confidential given RFP section K.2f and section O.5.a state DHS will disregard any language purporting to render all or portions of a proposal confidential or proprietary?

**Answer:**

Publicly traded companies are required to comply with the Sarbanes-Oxley Act of 2002, which has strict standards and implements safeguards against accounting errors and fraudulent management practices. This includes effectively holding Chief Executive Officers and Chief Financial Officers personally responsible for misrepresentation of company performance.

DHS acknowledges this requirement is not imposed on privately held firms. However, DHS has a responsibility to assure public funds are spent appropriately with organizations that have good financial business practices. Financial stability is an

important aspect of determining this. RFP section i.4.d was developed for organizations that fall in the privately held category.

DHS does not expect an organization to change its financial reporting practices in order to compete in this procurement. If any firm, whether a publicly traded firm or privately held firm, does not prepare quarterly reports but prepares monthly or semiannual reports, the proposer may substitute this material with an explanation. DHS, in its sole discretion, may accept this substitution, or request clarification from the proposer, or decline to accept this substitution without requesting clarification from the proposer if DHS determines that the substitution does not comply with RFP requirements.

As to the issue of proposer confidentiality and proprietary information, DHS must follow the RFP requirements as stated since we are subject to the California Public Records Act. As previously stated, DHS has an obligation to determine the financial stability of an organization as part of the procurement process. Therefore, proposers need to determine what financial reports will satisfy the RFP requirement allowing DHS to determine financial stability without causing concern of public review.

Thank you for your continued interest in the Actuarial Rate Development Project procurement effort.

If you have further questions, please contact Robert Marlow, lead analyst assigned to this procurement, at (916) 255-6023.

Sincerely,

Donna Martinez, Chief  
Office of Medi-Cal Procurement  
Enclosures